

# EXAMINER'S BANKING PRACTICES SURVEY

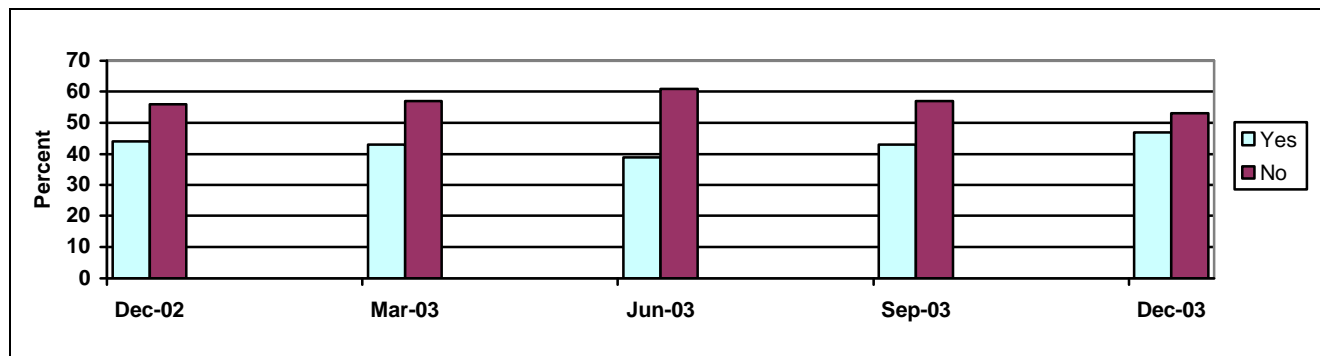
Fourth Quarter 2003

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Fourth Quarter 2003** results are compiled from **36** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
RE/Const/Land Devel	17%	24%	17%	17%	22%
RE/Agricultural	10%	8%	11%	13%	11%
RE/Commercial/Indust	15%	16%	25%	30%	15%
RE/Residential	8%	16%	19%	10%	14%
Agricultural	14%	20%	6%	10%	14%
Commercial/Industrial	19%	8%	14%	17%	17%
Consumer	17%	8%	8%	3%	7%

2. Is the institution active in making the following types of loans?

	Mar-03		Jun-03		Sep-03		Dec-03	
	Yes 3%	No 97%	Yes 13%	No 87%	Yes 7%	No 93%	Yes 14%	No 86%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	0%		0%		0%		43%	
Dealer paper	100%		75%		100%		43%	
Low or No-doc bus. lending	0%		0%		0%		14%	
High LTV home eq. lending	0%		25%		0%		0%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

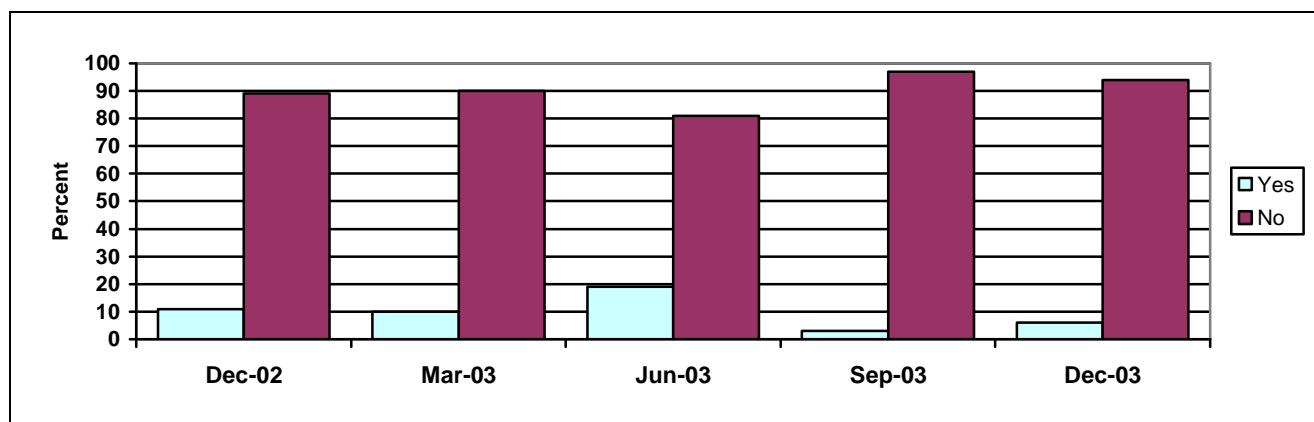
	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Yes	3%	0%	0%	0%	0%
No	97%	100%	100%	100%	100%

# Examiner's Banking Practices Survey

4. Does the institution use credit scoring models for loan decisions?

	Mar-03		Jun-03		Sep-03		Dec-03	
	Yes 17%	No 83%	Yes 13%	No 87%	Yes 3%	No 97%	Yes 22%	No 78%
Of Yes Responses - Loan type								
Credit card	0%		17%		0%		13%	
Consumer	57%		50%		50%		40%	
Residential mortgage	43%		33%		50%		40%	
Small business	0%		0%		0%		7%	
Other	0%		0%		0%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Making collateral based loans?	40%	0%	25%	33%	25%
Reduced collateral margins?	20%	20%	0%	0%	25%
Not requiring cash flow projections?	30%	0%	25%	0%	25%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	10%	40%	0%	33%	25%
Waiving guarantee's or other documentation?	0%	0%	25%	33%	0%
Other	0%	40%	25%	0%	0%

6. Describe potential risk in current underwriting practices for:

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Agricultural Loans					
Minimal	83%	80%	81%	87%	83%
Moderate	17%	20%	16%	10%	17%
Substantial	0%	0%	3%	3%	0%
Commercial Loans					
Minimal	78%	77%	77%	80%	81%
Moderate	22%	23%	16%	13%	17%
Substantial	0%	0%	7%	7%	3%
Consumer Loans					
Minimal	86%	80%	84%	94%	86%
Moderate	14%	20%	13%	3%	14%
Substantial	0%	0%	3%	3%	0%
Residential Loans					
Minimal	89%	87%	87%	97%	92%
Moderate	11%	13%	10%	3%	8%
Substantial	0%	0%	3%	0%	0%

# Examiner's Banking Practices Survey

7. Differences between actual lending practices and written policies are:

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
<b>Agricultural Loans</b>					
Minimal	97%	90%	90%	97%	83%
Moderate	3%	10%	10%	3%	14%
Substantial	0%	0%	0%	0%	3%
<b>Commercial Loans</b>					
Minimal	86%	80%	81%	93%	83%
Moderate	14%	20%	16%	7%	14%
Substantial	0%	0%	3%	0%	3%
<b>Consumer Loans</b>					
Minimal	92%	87%	87%	97%	89%
Moderate	8%	13%	13%	3%	8%
Substantial	0%	0%	0%	0%	3%
<b>Residential Loans</b>					
Minimal	89%	87%	87%	97%	86%
Moderate	11%	13%	10%	3%	8%
Substantial	0%	0%	3%	0%	6%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
<b>Carryover Debt</b>					
Minimal	89%	87%	94%	90%	89%
Moderate	11%	13%	3%	10%	11%
Substantial	0%	0%	3%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	94%	83%	94%	93%	83%
Moderate	6%	17%	6%	7%	14%
Substantial	0%	0%	0%	0%	3%
<b>Drop in Land Values</b>					
Minimal	94%	87%	90%	86%	86%
Moderate	6%	13%	7%	7%	11%
Substantial	0%	0%	3%	7%	3%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

	Mar-03			Jun-03		Sep-03		Dec-03				
No. Banks with Inc/(Dec) in ratio (%)	+	42%	- 58%	+	39%	- 61%	+	73%	- 27%	+	47%	- 53%
Average Inc/(Dec)in Ratio		6.9	(10.1)		5.6	(9.4)		6.3	(5.7)		9.3	(9.8)
Cause of Increase												
Eased underwriting standards		0%			5%			0%			4%	
Deterioration in new loans		18%			14%			3%			8%	
Deterioration in older loans		35%			53%			69%			67%	
Participations or out-of-territory		12%			0%			7%			0%	
Economic conditions		23%			14%			7%			17%	
Changes in lending personnel		0%			0%			0%			0%	
New types of lending activity		0%			0%			0%			0%	
Other		12%			14%			14%			4%	

10. Estimate loan classifications at this examination into the following types:

Loan Type	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
RE/Const/Land Development	5%	1%	5%	5%	5%
RE/Agriculture	5%	8%	5%	6%	7%
RE/Commercial/Industrial	13%	21%	26%	21%	26%
RE/Residential	31%	31%	17%	32%	29%
Agricultural	7%	5%	9%	8%	4%
Commercial/Industrial	23%	19%	23%	14%	22%
Consumer	16%	15%	15%	14%	7%

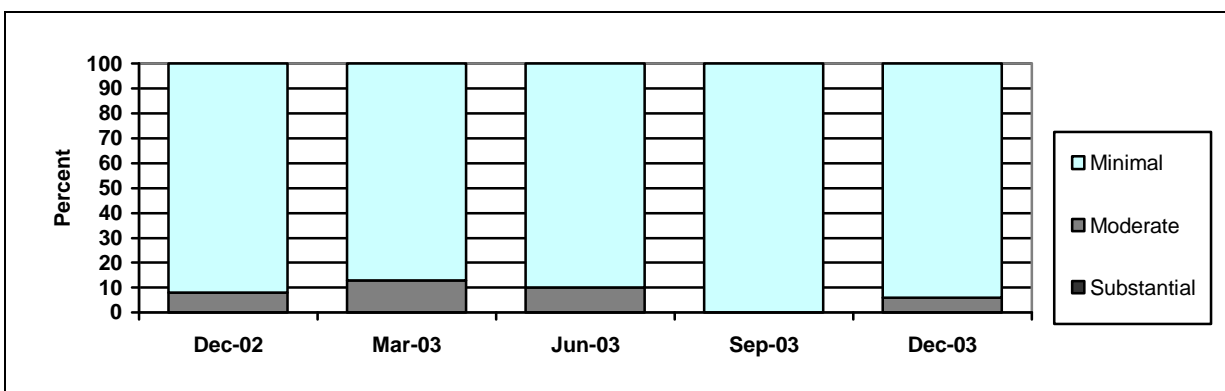
# Examiner's Banking Practices Survey

## INVESTMENTS

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Yes	8%	0%	0%	3%	0%
No	92%	100%	100%	97%	100%

12. Differences between actual investment practices and written policies are:



## OTHER

13. Has the bank established a borrowing line with FHLB?

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Yes	78%	57%	77%	73%	92%
No	22%	43%	23%	27%	8%
If yes, does the bank actively borrow from the FHLB?					
Yes	64%	77%	87%	82%	85%
No	36%	23%	13%	18%	15%

14. Does the bank hold off-balance sheet derivatives?

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Yes	0%	0%	3%	0%	3%
No	100%	100%	97%	100%	97%

15. List nontraditional activity the institution is engaged in.

	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03
Yes	67%	63%	71%	73%	69%
No	33%	37%	29%	27%	31%
Of those that do:					
Nondeposit Investment Sales	36%	29%	26%	27%	29%
Insurance Sales	7%	11%	7%	11%	6%
Real Estate Loan Secondary Market Sales	20%	24%	28%	20%	29%
Non-transactional Web Site	13%	13%	13%	13%	4%
Transactional Web Site	22%	18%	24%	27%	30%
Other	2%	5%	2%	2%	2%